



Compliance Research at the Canada Revenue Agency

Compliance Research and Strategic Analysis Division

**A Presentation to the
IRS Research Conference
2-3 June 2004**

Mandate

Support the development of effective compliance strategies through comprehensive research and analysis of:

- ◆ compliance trends and developments
- ◆ impacts of programs and compliance initiatives
- ◆ factors that contribute to compliant and non-compliant behaviour

Core Functions

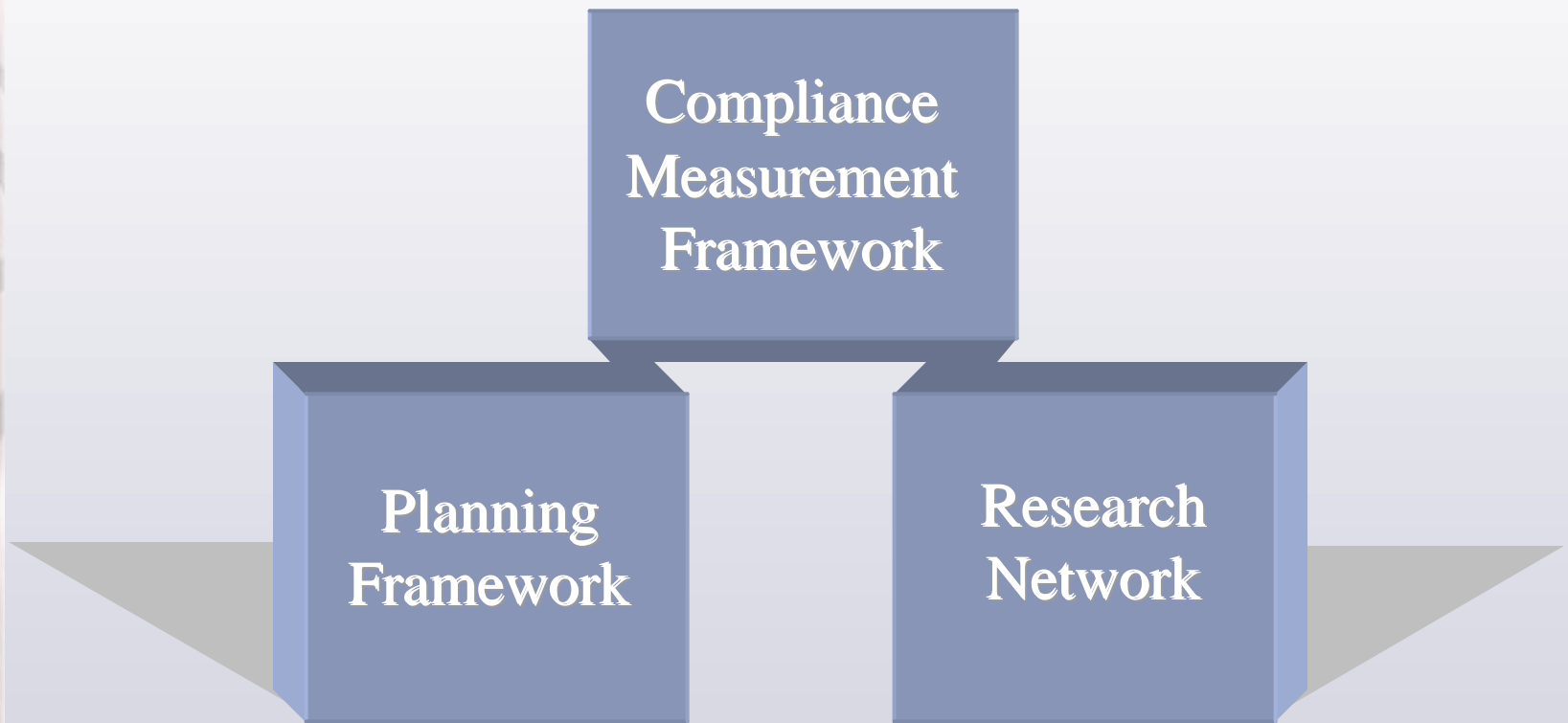
Our research and analysis activities fall under three main complementary streams:

- (1) The development and monitoring of compliance indicators as defined in the *Compliance Measurement Framework*;
- (2) Baseline research on the main client groups; and
- (3) Compliance studies that are driven by the information needs and priorities of senior management of tax programs.

Approach

- Multi-disciplinary team (economics, statistical analysis, political science, sociology, etc.)
- Structured program of research employing a multi-faceted, multi-dimensional framework model
- Balanced agenda that includes both self-generated and requested studies
- Built to establish a comprehensive knowledge base on compliance over time

Key Building Blocks



1. Compliance Measurement Framework

- Defines our approach to compliance measurement
- It lays out key concepts, constructs and operational definitions
- Provides a structured, comprehensive and dynamic approach for research that enhances our knowledge of program effectiveness

Framework Elements

- Compliance Definition
- CRA Programs
- Client Base
- Compliance Indicators
- Measurement Methods

Putting the Puzzles Together

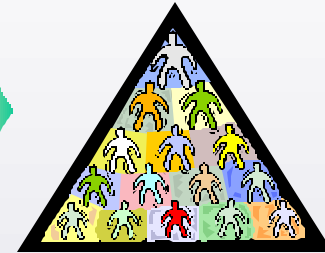
1 Compliance Definition

- Registering
- Filing
- Reporting
- Paying

2 CRA Programs

- Communication
- Client Service
- Enforcement
- Client Redress

3 Client Base



Applying the CMF requires the utilization of an assortment of tools, research methods and data sources to conduct a program of structured research in order to draw sound inferences of tax compliance.



4 Compliance Indicators

- Macro Indicators
- Random Sample Estimates
- Survey results, etc.

5

Measurement Methods

Compliance Indicators

- Compliance indicators are a main component of the CMF that allow us to...
 - ◆ gauge compliance outcomes, trends and developments and to identify compliance issues for further study
 - ◆ provide insight into compliance behaviour and the underlying cause and effect factors
 - ◆ assess the compliance impacts of programs, strategies and initiatives
- Lead to a “snapshot” measurement of compliance

Key Compliance Indicators

1 Macro Indicators



To identify general trends in compliance by comparing CRA data with relevant socio-economic data.

2 Non-Compliance Indicators



To produce estimates of non-compliance in selected population segments using the results of random sample and risk assessment data.

3 Public Opinion Indicators



To study and track public attitudes, perceptions, beliefs and related factors affecting compliance as gathered through pertinent public surveys.

4 Impact Indicators



To gauge the impacts of program strategies and initiatives through the use of a variety of qualitative and quantitative research methods.

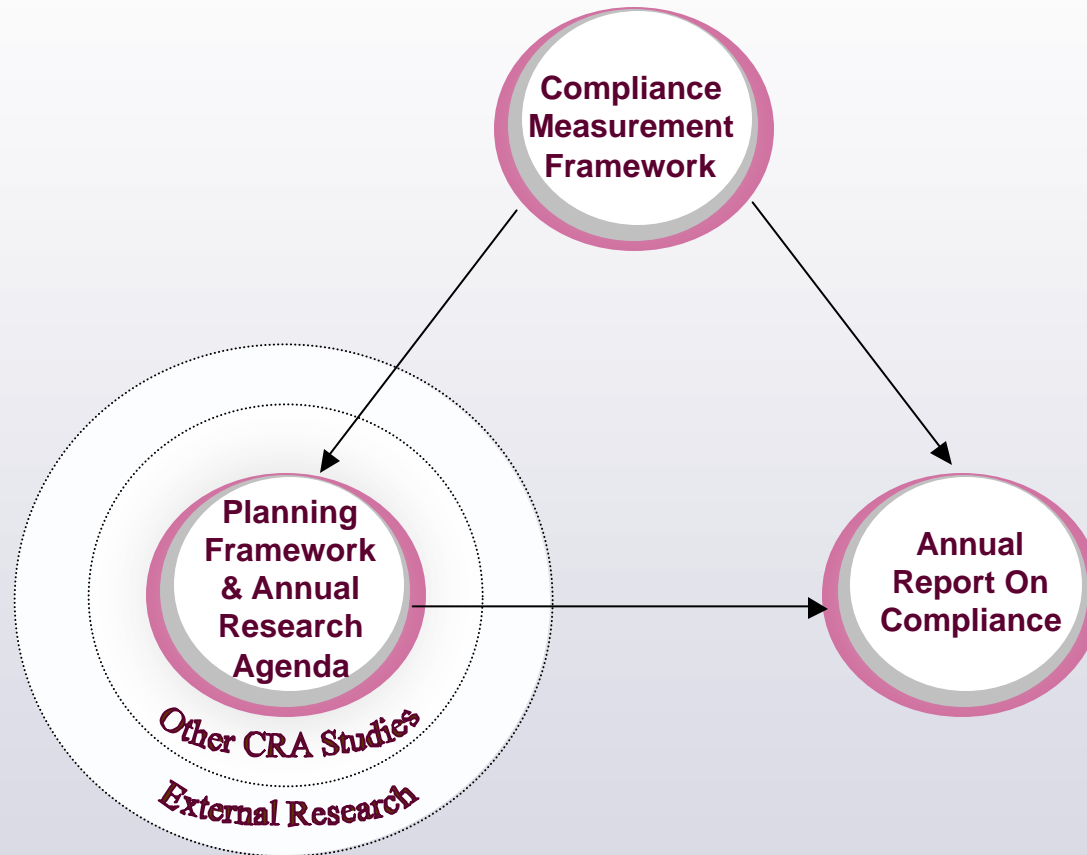
2. Planning Framework

- Align our research activities and products with the CRA planning cycle
- Provide a structured and balanced approach for determining research priorities based on consultation, knowledge gaps and analysis
- Built on the key elements of the CMF to ensure completeness and coverage

3. Research Network

- Improve co-ordination and alignment of research plans and products
- Identify opportunities for partnering in research projects where there is mutual interest and benefit
- Leverage research investments through information exchange and by exploiting planned data collection for multiple research needs
- Provide a regular venue for focused discussions on emerging compliance issues

Building a Knowledge Base on Compliance



CRA studies such as:

- Formal program evaluations
- CCRA public opinion research
- Other relevant research

External Research such as:

- Statistics Canada studies
- Studies by “think-tank” groups and academia
- Other relevant public surveys

Our Current Research Agenda

Compliance monitoring:

- Compliance indicator data collection, validation and implementation

Baseline compliance research (T1 unit):

- Multi-disciplined approach designed to obtain baseline knowledge on compliance behaviour so as to identify changes, developments and new trends in follow-up studies over time
- Current studies:
 - Canada's individual taxpayers: a changing profile
 - Determinants of compliance behaviour

Our Current Research Agenda...cont

Current Program studies:

- Public opinion research
- “*Get It In Writing*” campaign
- Evaluation of the T1 Non-filer risk rules
- Compliance profiles by filing method
- Follow-up audit of high-risk accounts
- Deductions & credits claimed by high-income individuals
- Core Audit Program